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February 7, 2002

Arizona Corporation Commission

DOCKETED**FEB 07 2002**

DOCKETED BY	<i>ms</i>
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Marta Kalleberg
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

AZ CORP COMMISSION
DOCUMENT CONTROL

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RECEIVED

RE: Docket No. T-03601A-01-0902; Amendments to XO Arizona, Inc.
A.C.C. Tariff No. 1 Which Increase Certain Intrastate Operator Services
Rates

Dear Ms. Kalleberg:

This letter responds to your December 7, 2001 correspondence to Collette Marthia of XO Arizona, Inc. ("XO"), which in turn responded to a tariff filed by XO on November 14, 2001.

First, as you requested, XO hereby provides the following statement of reasons underlying the proposed rate increases:

The proposed operator service rate changes coincided with XO's selection of a new vendor to provide operator services and directory assistance nationwide. The new OPS/DA platform includes features not previously provided by XO including Spanish language support and the ability to provide attended voice-activated operator assistance services as distinguished from live operator assistance. In conjunction with launch of the new OPS/DA platform, XO has filed state and federal tariffs to unify, to the extent possible, domestic operator service and DA rates.

The underlying proposed operator service rate changes are also supported by XO's analysis of the competitive market in Arizona. The local operator service rates proposed by XO are in the range of those charged by other carriers in Arizona and, with respect to the "Person to Person - Live" and "Station to Station - Live," these rates are 25% to 39% below the rates charged by the incumbent local exchange carrier.

These services have been classified as competitive by the Commission.

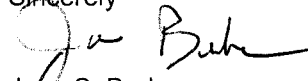
Second, Attachment A to this letter is a schedule of current and proposed rates including a declaration of the de minimus incremental revenue increase (less than 1% of XO Arizona total intrastate revenue) attributable to the proposed rate changes.

Third, as your letter kindly acknowledges, XO has provided notice to its customers of these planned rate increases. Attachment B to this letter is the affidavit of David LaFrance reconfirming that notice of the proposed rate increases has been provided to all XO Arizona customers.

We hope this statement, and the accompanying Attachment A, adequately respond to your concerns. XO respectfully requests that Staff recommend approval of the rate increases sought in the tariff filed November 14, 2001. We understand that any price increase (vs. rate increase) sought by the November 14, 2001 tariff filing became effective, by operation of law, thirty days after the tariff was filed.

Please contact me if you have any questions regarding the attachments, this letter, or the original tariff filing. Also, feel free to call David LaFrance, at (801-983-1624), who is with XO and is familiar with this tariff filing.

Sincerely



Joan S. Burke

ATTACHMENT A

Exhibit A

OPERATOR SERVICES RATES

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>ADD'L REVENUE*</u>
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I. Operator Assisted Products

Local Exchange Tariff

XO Arizona, Inc. Tariff A.C.C. No. 1

Card Calls – Automated**	\$0.50	\$1.50
Card Calls – Live Operator**	\$0.85	\$1.50
3 rd Number Billed – Automated	\$0.50	\$1.30
3 rd Number Billed - Live Operator	\$0.50	\$1.30
Person to Person – Automated	\$3.50	\$4.50
Person to Person - Live Operator	\$3.50	\$4.50
Station to Station – Automated	\$1.30	\$2.30
Station to Station - Live Operator	\$1.30	\$2.30
Busy Line Interrupt	\$3.00	\$6.00

* XO Arizona expects de minimus incremental revenue (less than 1% of XO Arizona total intrastate revenue) from the proposed rates specified above. That expectation is based on the current relative proportion of operator service revenue to all other service revenue, and negligible operator assistance transaction volume for the business customer class. Frequent use of optional operator assistance offerings, such as person to person, third number billed, calling card and station to station calling, is generally uncharacteristic of the business local exchange clientele XO serves. Operator service revenue forecasting is also complicated by XO's limited operating history in Arizona.

** XO's November 14, 2001 tariff filing made the first page revision to pages 78 and 102 of A.C.C. No. 1. The pages were amended, respectively, to increase the maximum and current prices for certain operator service rate elements, and to distinguish between live operator assistance and attended voice-activated operator service calls. Prior to the November 14, 2001 filing, the tariff did not distinguish live operator assistance services from automated operator assistance services.

ATTACHMENT B

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman

JIM IRVIN
Commissioner

MARC SPITZER
Commissioner

IN THE MATTER OF THE APPLICATION)	DOCKET NO. T-03601A-01-0902
OF XO ARIZONA, INC. FOR AN)	
INCREASE IN CERTAIN COMPETITIVE)	AFFIDAVIT OF DAVID L.
INTRASTATE OPERATOR SERVICES)	LAFRANCE
RATES PURSUANT TO COMMISSION)	
RULE 14-2-1110)	

I, David L. LaFrance, being duly sworn upon my oath, hereby state as follows:

1. I am employed by XO Communications, Inc. ("XO") as a Manager of Regulatory and External Affairs. I have held this position since October, 1998.
2. On or about November 14, 2001 XO Arizona, Inc. filed amendments to XO Arizona, Inc. A.C.C. Tariff Nos. 1 and 3 with the Arizona Corporation Commission. The amendments, among other changes, increased the maximum allowable rate and the current price of operator assistance services in XO's local exchange and message toll service tariffs.
3. 14 A.A.C. 2, Article 11 states in pertinent part:
A. Telecommunications companies governed by this Article may apply to the Commission for an increase in any rate for a competitive service using the procedures set forth below..... B. In order to increase the maximum tariffed rate for a competitive telecommunications service, the applicant shall submit an application to the Commission containing the following information:.....3. An affidavit verifying that appropriate notice of the proposed rate increase has been provided to customers of the service;
4. In accordance with the above rule I hereby attest that in November 2001 an original of the attached text was delivered in the form of a bill message to all XO Arizona, Inc. customers. The attached notice made XO Arizona customers aware of price changes for certain

live operator and mechanized operator assistance services that are offered in XO Arizona, Inc.'s local exchange and intrastate toll tariffs.

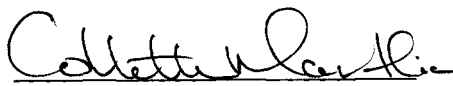
5. A copy of the attached bill message notice was filed as an attachment to XO Arizona's November 14, 2001 amendments to A.C.C. Tariff Nos. 1 and 3.

STATE OF UTAH)

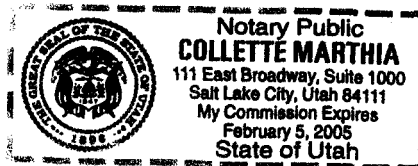
County of Salt Lake)
:ss

SUBSCRIBED AND SWORN TO before me this 5 day of February, 2002, by

David L. LaFrance.


Notary Public

My Commission Expires:



Affiliate: Arizona **only**

XO™ Communications Inc. ("XO") is proposing the following changes to its rates and charges:

XO™ Local Operator Services: Effective December 1, XO™ local operator services will be billed at the following rates: Calling Card/Credit Card Live \$1.50; Calling Card/Credit Card Auto \$1.50; 3rd Number Billed Live \$1.30; 3rd Number Billed Auto \$1.30; Collect Calling live \$3.50; Collect Calling auto \$3.50; Person to Person live \$4.50; Person to Person auto \$4.50; Station to Station live \$2.30; Station to Station auto \$2.30; Verification \$3.00; Interrupt \$6.00. Intrastate LD operator services charges will be changed to the following rates: Calling Card/Credit Card Live \$2.00; Calling Card/Credit Card Auto: \$1.00; 3rd Number Billed Live: \$2.25; 3rd Number Billed Auto: \$2.25; Collect Calling live: \$3.00; Collect Calling auto: \$2.00; Person to Person: \$3.00; Person to Person auto: \$3.00; Station to Station live: \$1.80; Station to Station auto: \$1.80. The rate per minute for operator-completed calls will be \$0.20. These changes would be reflected in your January bill.

These changes will be voted on at a future Open Meeting of the Arizona Corporation Commission (Commission). XO is proposing that these new rates and charges become effective on December 1 2001, however, these changes will not become effective until approved by the Commission. If you have any questions, please contact the XO Customer Service Office at 1-888-575-6398. If you have any further questions or would like know when this change will be on the Commission's open meeting agenda, you may contact the Consumer Services Section of the Commission at 602-542-4251 or 1-800-222-7000.

Effective immediately, Interstate LD operator services charges will be changed to the following rates: Calling Card/Credit Card Live \$3.00; Calling Card/Credit Card Auto: \$2.00; 3rd Number Billed Live: \$4.50; 3rd Number Billed Auto: \$4.50; Collect Calling live: \$4.50; Collect Calling auto: \$3.00; Person to Person: \$6.50; Person to Person auto: \$6.50; Station to Station live: \$1.80; Station to Station auto: \$1.80. The rate per minute for operator-completed calls will be \$0.50. Changes will be reflected in your next bill.

LOCAL SERVICE OVER YOUR DEDICATED LONG DISTANCE TRUNKS

If you are an XO™ Dedicated Long Distance customer or an XO™ Flat Rate Dedicated Long Distance customer, please note that effective immediately, local phone calls carried on XO™ Dedicated Flat Rate Long Distance and XO™ Dedicated Long Distance trunks will be billed at \$0.10 per minute. Current term and volume discounts will be applied to the \$0.10 per minute rate. Changes will be reflected in your next bill. These services should be utilized specifically for long distance traffic for maximum cost savings. Unintentional local phone calls carried on your long distance trunks may be a result of overflow from your local trunks. If you have any billing or service questions, please call 1-888-575-6398.